



Grant Thornton

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Dear Jayne

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Certification work for Redditch Borough Council for year ended 31 March 2015

We are required to certify certain claims and returns submitted by Redditch Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) have taken on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

The total amount Certified for HB COUNT is £25m. In addition to the housing benefit subsidy claim we have also certified the 'Pooling of Capital Receipts' return for the financial year 2014/15, with a total value of £0.65 million. Further details are set out in Appendix A.

The housing subsidy audit was protracted and a large number of errors were found in both the claim and the cases tested as part of the audit. Where errors indicate an overpayment of subsidy then the errors, and the extrapolated impact of the errors, are included in the qualification letter issued to the Department for Work and Pensions. Some of the errors also indicated underpayment of benefit to claimants, however these are not reported to the department as there is no over-claim of subsidy. We issued our letter to the Department on 18 December.

We are planning to meet with your officers in the near future to agree a detailed action plan. This will cover:

- weaknesses in benefits processing identified as part of case testing
- improvements to subsidy claim preparation
- arrangements to streamline the audit.

As we are already most of the way through the financial year, it is likely that some of the weaknesses will be present in the 2015/16 benefits and subsidy claim.

The indicative fee for 2014/15 for the Council is based on the final 2012/13 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification under the Audit Commission

Chartered Accountants

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regime (such as the national non-domestic rates return and pooling housing capital receipts return) have been removed and the indicative fee adjusted accordingly. The indicative scale fee set by the Audit Commission for the Council for 2014/15 is £13,720 and reflects the fee for the housing subsidy claim only.

The subsidy claim is split into three areas:

- Rent allowances £10,915,106
- Rent rebates (non HRA) £166,716
- Rent rebates £13,513,704

We undertake testing on an initial sample of 20 cases for each subsidy area. This involves agreeing back to prime documents and confirming the basis and calculation of housing benefits awarded. An additional sample of 40 cases (prorate for non-HRA) are then selected and tested for each type of error found in the initial testing. This resulted in nine lots of 40+ testing. We also undertook three lots of 40+ testing for errors found on the previous year claim, as no assurance could be provided that the underlying issues had been addressed for 2014/15.

Clearly there was significantly more audit work required than in the base year of 2012/13 where no 40+ testing was required. Both the initial testing and the 40+ testing was undertaken by Council staff. Our re-performance work highlighted problems with the testing undertaken including cases 'passed' that were 'fails' and vice versa. This increased our risk assessment and meant we had to extend our testing undertaking considerably more re-performance work than we planned to be satisfied on the accuracy of the work.

These factors and other problems have resulted in both council officers and the audit team having to undertake a considerable amount of work for us to be able to certify the claim. This is going to result in a significant variation to the audit fee. This has yet to be agreed with you and Public Sector Appointments Ltd. See appendix 1 for further detail.

In addition, certification of grant claims outside of the Audit Commission regime, for which assurance is still required, has been commissioned directly by the Council. The fee charged for the Pooling of Housing Capital Receipts return totals £2,200.

Yours sincerely

Phil Jones
Engagement lead
For Grant Thornton UK LLP

Details of claims and returns certified for 2014/15

Claim or return	Value(£)	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	24,992,699	No	n/a	Yes	A significant number of errors were identified and difficulties experienced completing the audit. An exceptionally detailed and long qualification letter was issued to the DWP on 18 December.
Pooling of Housing Capital receipts	695,881	Yes	tbc	No	Unqualified opinion. The claim is submitted for audit electronically. Although the audit is complete, a national problem with the software has meant that the amendment to the claim has not yet been made nor have we been able to certify the audit as complete.

Fees for 2014/15 certification work:

Audit Commission:

Claim or return	2012/13 fee (£)	2014/15 indicative fee (£)	2014/15 proposed fee (£)	Variance (2012/13 to 2014/15) (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£15,569	£13,720	tbc	tbc	<p>The indicative fee for the Housing Benefits Subsidy is based on the 2012/13 fee, reduced by 12.5% to reflect the removal of council tax benefit subsidy.</p> <p>No 40+ testing was undertaken in the base year 2012/13 and we are expecting to agree a substantially increased fee due to the volume of extra work undertaken.</p>

Other:

Claim or return	2014/15 actual fee (£)	
Pooling of Housing Capital Receipts	£2,200	Fee charged is based on the time spent on the return.